



## Intermediary Relending Program (IRP)

The IRP program provides low-interest loans to capitalize revolving loan funds (RLF's) that will finance smaller and emerging businesses enterprises and community development projects in rural areas. Detailed information is on-line at: <http://www.rurdev.usda.gov/rbs/busp/irp.htm>

### Funds available

In 2005, approximately **\$17.6 million is to be awarded** through quarterly nationwide competitions. (There is no Oregon state allocation.) *Another \$3.6 million is earmarked to assist Native American communities nationwide (no specific Oregon state allocation).*

Loan size: **\$750,000** is typically the maximum loan awarded on either an initial or subsequent basis.

### Interest rate, term, & payment structure

1% fixed rate, 30 years, fully amortized (though interest-only payments may be permitted for the first 3 years)

### Eligible applicants (Who may receive an IRP loan?)

Public bodies, nonprofit corporations, rural cooperatives, & tribes:

- » with the legal authority to operate an RLF.
- » with a record of successfully assisting rural businesses and communities, normally including experience in making and servicing commercial loans
- » able to provide adequate assurance of repayment of the IRP loan

***This is not a loan program for businesses directly, though businesses ultimately will receive loans from the revolving loan funds capitalized with IRP funds.***

### Eligible projects (What must the IRP loan be used for?)

IRP borrowers ("**intermediaries**") must place the IRP loan proceeds in an RLF for re-lending to eligible, rural businesses & community groups ("**ultimate recipients**").

RLF loans from the intermediary to the ultimate recipient may finance new or existing businesses or community development projects.

All collections from the operation of the IRP RLF that are not used for administrative costs, technical assistance to borrowers, or debt retirement must be made available for relending to eligible ultimate recipients.

### Authorized relending purposes (What can be financed with an IRP loan fund?)

**Types of loans** from the IRP loan fund:

- » Leverage – can finance up to 75% of the total cost of the ultimate recipient's project.
- » Loan size – generally, limited to not more than \$150,000 per ultimate recipient when the IRP loan fund is using initial loan proceeds. Loans up to \$250,000 may be made with revolved loan funds.
- » Interest rate, terms, & payment structure – set by the intermediary in an amount sufficient to cover the cost of operating & sustaining the RLF.

**Types of projects** that may be financed:

- » Rural – project must be in a rural area – i.e., communities with a population of ≤25,000.
- » Loan purposes – real estate, buildings, leasehold improvements, equipment, inventory, working capital, some refinancing, fees.

**Types of borrowers** that may be financed:

- » Proprietorships, partnerships, corporations, LLC's, coops, trusts, nonprofits, tribes, public bodies
- » Majority ownership must be held by US citizens or permanent residents.
- » Must be unable to obtain commercial financing for their project.
- » Most types of enterprises (new or existing) qualify – manufacturing, wholesale, retail, service, or community facilities.
- » Ineligible businesses: most types of agricultural production; religious organizations; lending, investment, & insurance companies; golf courses; racetracks; gambling facilities

### **Collateral & servicing**

IRP loans are secured by a lien on the IRP revolving loan fund and on all assets generated from the fund – including notes receivable and all income produced with the fund.

The intermediary is liable for the repayment of the IRP loan regardless of the performance of the IRP loan fund.

The intermediary is required to maintain a detailed and separate accounting of their IRP loan fund and its associated assets, including the submission of an annual operating budget, quarterly/semiannual reports, and an audited financial statement.

### **Application Process**

Prospective IRP applicants are strongly encouraged to talk to USDA before preparing a formal application.

IRP funds are typically awarded quarterly.

### **Priority Point System**

IRP applications are competitively chosen for funding based on the following selection criteria:

| <b>Max Points</b> | <b>Grant selection criteria</b>  |
|-------------------|--|
| <b>15</b>         | % of “ultimate recipient” financing to come from nonfederal sources:<br>≥50% (15 pts); 25-50% (10 pts); 10-25% (5 pts); <10% (0 pts)   |
| <b>15</b>         | % of “ultimate recipient” financing to come from intermediary’s own funds:<br>≥50% (15 pts); 25-50% (10 pts); 10-25% (5 pts); <10% (0 pts)   |
| <b>15</b>         | Median household income (MHI) in loan fund’s service area vs. poverty line (\$19,350):<br><125% of poverty (15 pts) 125-150% of poverty (10 pts); 150-175% of poverty (5 pts); >175% of poverty (0 pts)                      |
| <b>15</b>         | % of “ultimate recipient” loans to be made in counties with MHI’s below 80% of the State nonmetro MHI (\$32,984 = 80% x \$41,230 State MHI):<br>100% (15 pts); 75-100% (10 pts); 50-75% (5 pts); <50% (0 pts)                |
| <b>15</b>         | Unemployment rate in loan fund’s service area vs. national unemployment rate:<br>≥150% (15 pts); 125-150% (10 pts); 100-125% (5 pts); <100% (0 pts)  |
| <b>15</b>         | Intermediary will make a condition of their loans that “ultimate recipients” hire the following percentage of its workers from members of families below the poverty line:<br>≥30% (15 pts); 20-30% (10 pts); 10-20% (5 pts) |
| <b>15</b>         | Likely % of intermediary’s loans that will be made to “ultimate recipients” from underrepresented groups:<br>≥30% (15 pts); 20-30% (10 pts); 10-20% (5 pts)  |
| <b>15</b>         | % out-migration of population from the loan fund’s service area since last decennial census:<br>≥30% (15 pts); 20-30% (10 pts); 10-20% (5 pts)   |
| <b>50</b>         | % of the proposed loan fund to be contributed from intermediary’s own funds:<br>≥25% (50 pts); 15-25% (30 pts); 5-15% (15 pts); <5% (0 pts)  |
| <b>30</b>         | Intermediary’s years of experience administering a commercial loan fund:<br>≥10 years (30 pts); 5-10 years (20 pts); 3-5 years (10 pts); 1-3 years (5 pts)   |
| <b>15</b>         | % of community representation on intermediary’s board of directors:<br>≥75% (15 pts); 40-75% (10 pts); 10-40% (5 pts)  |
| <b>35</b>         | USDA Administrator’s discretionary points (based on need, applicant track record, IRP loan funds already in proposed service area, severity of economic problems, etc.)  |

### **Helpful IRP links**

IRP program regulations. The IRP program is governed by RD Instruction 4274-D which is on-line at:

<http://www.rurdev.usda.gov/regs/regs/pdf/4274d.pdf>

### **More information**

More information at: <http://www.rurdev.usda.gov/or/irp.htm> or contact Oregon’s IRP Coordinator Georgia Reese at 503-414-3365 or [georgia.reese@or.usda.gov](mailto:georgia.reese@or.usda.gov)